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Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-14 H-03 L-03 PA-04

PRS-01 USIA-15 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W
---------- 122270
P 280159Z NOV 73
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 9414
INFO AMEMBASSY JAKARTA PRIORITY

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USADB

FOR NAC AGENCIES

E O 11652: ADS, DECLAS 2/27/74
TAGS: EAID, EFIN, ID
SUBJ:TR PROPOSED ADB LOANS FOR MINAHASA POWER PROJECT IN INDONESIA

SUMMARY: ADB MANAGEMENT PROPOSES TWO LOANS TOTALING $7.9 MILLION EQUIVALENT, OF WHICH $2.8 MILLION WOULD BE FROM ORDINARY CAPITAL RESOURCES AND $5.1 MILLION FROM SPECIAL FUNDS RESOURCES, TO INDONESIA TO FINANCE FOREX COSTS OF REHABILITATION AND EXTENSION OF GENERATION AND DISTRIBUTION FACILITIES IN MINAHASA AREA OF CELEBES (SULAWESI). PROJECT INCLUDES FOREX COST OF THREE DIESEL GENERATING SETS HAVING TOTAL CAPACITY OF 9 MW; REPLACEMENT OF A 4.5 MW HYDRO UNIT; DIESEL SET REPAIR PARTS; LEVELLING AND CLEARING TONDANO RIVER BED; COMMUNICATIONS AND MAINTENANCE EQUIPMENT; AND CONSULTANT SERVICES. USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.
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1. ADB DOC R107-73 WITH ATTACHMENTS DESCRIBING PROPOSED LOANS POUCHED ADDRESSEES NOV 23. BOARD CONSIDERATION SCHEDULED DEC 13.

2. ADB MANAGEMENT PROPOSING $2.8 MILLION EQUIVALENT LOAN FROM ORDINARY RESOURCES AND $5.1 MILLION LOAN FROM SPECIAL FUNDS TO GOVT OF INDONESIA (GOI). PROCEEDS WILL FINANCE FOREX COST OF (A) REHAB AND EXTENSION OF TRANSMISSION AND DISTRIBUTION SYSTEM THROUGHOUT MINAHASA (NORTH SULAWESI); (B) SUPPLY AND INSTALLATION OF BOTH HYDRO AND DIESEL ELECTRIC GENERATING SETS; (C) CHANGING TONDANO RIVER BED PROFILE; (D) COMMUNICATIONS AND MAINTENANCE EQUIPMENT; AND RELATED CONSULTANT SERVICES. PROPOSED TERMS ARE 25 YEAR AMORTIZATION INCLUDING 5 YEAR GRACE PERIOD, 7 1/2 PCT. INTEREST FOR ORDINARY CAPITAL LOAN AND 40 YEAR AMORTIZATION INCLUDING 10 YEAR GRACE PERIOD, ONE PERCENT INTEREST FOR SPECIAL FUNDS LOAN. REPUBLIC OF INDONESIA TO BE BORROWER, PERUSAHAAN UMUM LISTRIK NEGARA (PLN) (STATE ELECTRICITY ENTERPRISE) TO BE EXECUTING AGENCY. GOVT PROPOSES RELEND PROCEEDS TO PLN AT 12 PERCENT AND 15 YEARS AMORTIZATION INCLUDING 5 YEARS GRACE PERIOD. HOW-EVER DUE PLN'S FINANCIAL SITUATION, PLN REPAYMENT OF INTEREST AND PRINCIPAL WAIVED UNTIL 1978-79. PROCEEDS OF SUBLOAN DISBURSED UNTIL THEN TO BE CONSIDERED GOI EQUITY IN PLN. THIS IN ACCORDANCE WITH ADB AGREEMENT. AFTER 1978-79, ALL TERMS AND CONDITIONS OF RELENDING AGREEMENT BECOME OPERATIVE.

3. MINAHASA AREA WHERE PROJECT LOCATED INCLUDES MANADO, PROVINCIAL CAPITAL, AND IS EXPANDING ADMINISTRATIVE, COMMERCIAL, EDUCATIONAL AND INDUSTRIAL CENTER OF NORTH SULAWESI. AREA ALSO INCLUDES BITUNG, MAIN OCEAN PORT AND ANOTHER GROWING INDUSTRIAL AREA. MAIN AREA PRODUCTS ARE COCONUT, NUTMEG AND CLOVES. TONDANO LAKE-RIVER SYSTEM PROVIDES EASILY REGULATED RESERVOIR AND READILY ACCESSIBLE POTENTIAL POWER SITES WITHIN 50 KILOMETERS OF LOAD CENTERS. HOWEVER, DURING DRY SEASON, TONDANO RIVER FLOW NOW INADEQUATE TO ASSURE FULL UTILIZATION INSTALLED BY HYDRO CAPACITY (ONE UNIT OF WHICH IS 55 YEARS OLD) THUS LOAD SHEDDING IS FREQUENT AND FUTURE GROWTH IMPOSSIBLE.
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4. BANK FACT-FINDING MISSION IDENTIFIED REMEDY TO ASSURE YEAR-ROUND FLOW FOR PRESENT AND FUTURE HYDRO UNITS WAS TO RAISE LEVEL OF TONDANO LAKE, CLEAR AND LEVEL TONDANO RIVER. ALSO, TO VMET IMMEDIATE CAPACITY DEFICIENCIES, PROVIDE SUBSEQUENT PEAKING AND STANDBY DUTIES, REHAB OF EXISTING AND INSTALLATION OF NEW DIESEL SETS INCLUDED IN PROJECT AS WELL AS REPLACEMENT AGED HYDRO UNIT; REHAB OF DISTRIBUTION

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SYSTEM WILL REDUCT GENERATION LOSSES (NOW AT 25 PCT). PROPOSED PROJECT WILL HELP DEVELOP PLANS FOR FUTURE HYDRO PROJECTS ON TONDANO RIVER. PROJECT DEVELOPED BY BANK-FUNDED CONSULTANTS (FINANCED BY $48,000 TA GRANT APPROVED JAN 1973).

5. IMPROVING RIVER PROFILE INCLUDES LEVELING AND CLEARING TONDANO RIVER BED FROM LAKE TO EXISTING REGULATIONG WEIR (5 KM) TO INCREASE FLOW RATE; MODIFICATION OF WEIR TO ENABLE HIGHER LAKE LEVEL, BETTER REGULATION OF FLOW.

6. PROPOSED PROJECT CONSISTS OF (A) REHAB AND EXTENSION TRANSMISSION AND DISTRIBUTION SYSTEM THROUGHOUT MINAHASA; (B) SUPPLY AND INSTALLATION TWO 2.5 MW DIESEL ELECTRIC SETS AND REFIT TWO 0.75 MW UNITS AT MANADO POWER HOUSE; (C) SUPPLY AND INSTALLATION 4.0 MW DIESEL SET AT BITUNG, EXTENDING SIZE OF POWER HOUSE; (D) REPLACE 4.5 MW HYDRO UNIT AT TONSEALAMA; (E) LEVELING AND CLEARING TONDANO RIVER AND MODIFYING REGULATION WEIR; (F) PROTECTION, COMMUNICATION, MAINTENANCE EQUIPMENT AND VEHICLES;

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ACTION TRSE-00

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PA-04 USIA-15 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W
---------- 097561
P 280159Z NOV 73
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 9415
INFO AMEMBASSY JAKARTA PRIORITY

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(G) RELATED CONSULTING SERVICES. IMPLEMENTATION PERIOD EXPECTED TO BE 5 YEARS.

7. TOTAL COST OF PROJECT ESTIMATED AT $11.1 MILLION WITH BANK FINANCING FOREX COMPONENT OF $7.9 MILLION EQUIVALENT; LOCAL COSTS OF $3.2 MILLION WILL BE MET BY GOVT. PROCEEDS OF LOAN FROM ORDINARY CAPITAL RESOURCES TO BE ALLOCATED TO DISTRIBUTION EQUIPMENT ($1.6 MILLION); GENERATION REPAIR PARTS ($100,000); HYDROLOGICAL WORKS ($50,000) AND CONSULTANT SERVICES ($800,00), AND CONTINGENCIES ($250,000). PROCEEDS OF SPECIAL FUNDS LOAN FOR ALL REMAINING FOREX COSTS INCLUDING SUBSTANTION EQUIPMENT ($1.9 MILLION) AND GENERATION EQUIPMENT ($2.1 MILLION).

8. PROCUREMENT WILL BE IN ACCORD BANK'S GUIDELINES FOR PROCUREMENT AMONG MEMBER COUNTRIES AND LUXEMBOURG FOR ORDINARY CAPITAL LOAN AND AMONG ELIGIBLE COUNTRIES ONLY FOR SPECIAL FUNDS LOAN. CONTRACTS FOR $50,000 OR MORE TO BE SUBJECT TO INTERNATIONAL COMPETITIVE BIDDING. (EXCEPT FOR $100,000 G.M. GENERATOR SPARE PARTS TO BE BOUGHT
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FROM MANUFACTURER.) CONTRACTS LESS THAN $50,000 (EXCEPT SMALL ITEMS) ON BASIS REASONABLE COMPETITION. CONSULTANTS WILL BE ENGAGED TO: (A) PREPARE DETAILED DESIGNS, TENDER DOCUMENTS, SPECIFICATIONS AND CONSTRUCTION DRAWINGS; (B) EVALUATE TENDERS, RECOMMEND AWARDS, ADVISE ON CONTRACT NEGOTIATIONS; (C) SUPERVISION CONSTRUCTION AND REHAB WORK; (D) PERFORM ENGINEERING STUDIES, LOAD GROWTH PROJECTIONS.

9. EXECUTING AGENCY, PLN, NOW UNDERGOING REORGANIZATION UNDER GUIDANCE OF IDA-FINANCED CONSULTANTS. NEW CHARTER, EFFECTIVE 1972, PROVIDED MORE AUTONOMY, BUT GOVT STILL RETAINS CONTROL OVER BORROWING, INVESTMENTS, TARIFF RATES. PLN RATE INCREASES, MANAGEMENT REFORMS BEGUN IN 1973 EXPECTED TO CORRECT PAST FINANCIAL WEAKNESSES, ATTRIBUTED TO POOR ACCOUNTING, COLLECTION, ADMINISTRATION SYSTEMS, LOW TARIFFS. PLN FINANCIAL POSITION EXPECTED TO IMPROVE WITHIN NEXT 5 YEARS AS RESULT: TIMELY GOVT PAYMENT ACCOUNTS RECEIVABLE DUE; CONTINUING REFORMS AND ADVICE ENGINEERING AND MANAGEMENT CONSULTANTS; ADOPTION COST-ORIENTED TARIFFS. THIS WILL ENABLE IT TO THEN BEGIN REPAYMENT TO GOVT OF RELENT PROCEEDS OF LOAN.
BANK APPROVES THIS SCHEDULE. GOVT HAS ASSURED PLN WILL BE PROVIDED SUFFICIENT SUPPLY OF DIESEL FUEL FROM GOVT POL AGENCY PERTAMINA AT REASONABLE PRICE TO OPERATE GENERATOR SETS.

10. IN VIEW INDONESIA'S STRAINED ECONOMIC SITUATION AND DIFFICULT BALANCE OF PAYMENTS POSITION, BANK CONSIDERS THIS

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PROPOSED FINANCIAL ASSISTANCE BE EXTENDED TO GOI ON CONCESSIONAL TERMS. PROPOSED BLENDING OF LOANS WILL YIELD GRANT ELEMENT OF 59.5 PERCENT, WHICH SAME AS BORROWING OF INDONESIA FROM BANK IN 1972.

11. RELIABLE, YEAR-ROUND POWER SUPPLY CONSIDERED ESSENTIAL TO DEVELOPMENT OF REGION. PROJECT WILL RESULT IN SOCIO-ECONOMIC BENEFITS, ELIMINATE NEED FOR COSTLY PRIVATE POWER GENERATION; ENCOURAGE IRRIGATED RICE PRODUCTION, INDUSTRIAL, COMMERCIAL AND TOURISM ACTIVITIES. PROJECT WILL REDUCE POWER LOSSES; WITH NEW TARIFF, INCREASING PLN EARNINGS. PROJECT CONSIDERED TECHNICALLY AND ECONO-
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MICALLY SOUND. FINANCIAL RATE OF RETURN ON PROJECT ESTIMATED AT 18.8 PERCENT. INDONESIAN GOVT ACCORDS HIGH PRIORITY TO PROJECT. USADB SUPPORTS PRPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

12. REQUEST JAKARTA'S COMMENTS FOR NAC AGENCIES, INFO MANILA USADB PURSUANT TO STATE 119795 DTD 3 JULY 1972.
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Message Attributes

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Copy: SINGLE
Draft Date: 28 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: worrelsw
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition Reason:
Disposition Remarks:
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TAGS: EAID, EFIN, ID, ADB
To: STATE
Type: TE
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